

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Parcel Select & Parcel Return Service Contract 2  
(MC2009-40)  
Negotiated Service Agreement

Docket No. CP2009-61

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO  
UNITED STATES POSTAL SERVICE REQUEST TO EXTEND  
PARCEL SELECT & PARCEL RETURN SERVICE CONTRACT 2

(May 24, 2011)

On May 11, 2011, the Postal Service filed notice that prices under Parcel Select & Parcel Return Service Contract 2 filed in this docket have changed in accordance with the original contract provisions for extension of its term.<sup>1</sup> In response to Order No. 729,<sup>2</sup> the Public Representative hereby comments on the Postal Service's May 11, 2011, Notice.

For a competitive product pricing schedule *not of general applicability*,<sup>3</sup> the Postal Service must demonstrate that the contract will comply with 39 U.S.C. 3633(a):

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<sup>1</sup> Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Parcel Select & Parcel Return Service Contract 2, May 11, 2011 (Notice).

<sup>2</sup> Commission Order No. 729, Order Concerning Change in Prices for Parcel Select & Parcel Return Service Contract 2 Negotiated Service Agreement, May 13, 2011.

<sup>3</sup> See 39 C.F.R. 3015.5.

It will not allow market dominant products to subsidize competitive products; it will ensure that each competitive product covers its attributable costs; and enable competitive products as a whole to cover their costs (contributing a minimum of 5.5 percent to the Postal Service's total institutional costs).

The Public Representative notes that under the terms of the original NSA Agreement in this docket, the NSA partner must meet a specified volume threshold before it qualifies for a third year under the Agreement. That volume threshold has been met.

The Postal Service has documented the financial results for this NSA for FY 2010 under the existing costing methodology, and under the costing methodology that the Postal Service proposes in Docket No. RM2011-10, which is pending. The Public Representative recommends that the Commission evaluate this NSA extension in terms of the existing costing methodology, because the methodological issues raised in Docket No. RM2011-10 have yet to be resolved by the Commission. Whether the Commission evaluates this extension under current analytical principles, or those proposed in the pending rulemaking, however, appears unlikely to effect the Commission's conclusion. The supporting financial documentation accompanying the Notice, filed under seal, strongly implies that extending this NSA satisfies all three elements of 39 U.S.C. 3633(a). This is true of the NSA whether it is viewed as a whole,

or viewed as individual rate categories, under the current costing methodology,<sup>4</sup> and it remains true if the costing methodology that the Postal Service proposes in Docket No. RM2011-10 is applied.<sup>5</sup>

Considering the foregoing, there appear to be no public policy considerations that would prevent extension of the underlying Agreement in this docket.

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<sup>4</sup> This is demonstrated by the cost coverages calculated in the non-public file PSPRS2\_Analysis\_FY10\_Chir5NoNewAdjustments.xls.

<sup>5</sup> This is demonstrated by the cost coverages calculated in the non-public file PSPRS2\_Amendment\_Analysis (FY10.PRC).xls.